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**FACT SHEET**  
**Friday, December 5, 1997**

**SUCCESSFUL USE OF WTO DISPUTE SETTLEMENT BY THE UNITED STATES**

*Success rate*

The United States has invoked formal procedures under the new World Trade Organization dispute settlement mechanism in 34 cases to date -- more than any other country in the world. Of those 34, the United States has won all 7 cases that have completed the WTO dispute settlement panel process so far, and highly favorable settlements were reached in 7 others. These cases cover a number of WTO agreements -- involving rules on trade in goods, trade in services, and intellectual property protection -- and affect a wide range of sectors of the U.S. economy.

*U.S. successes in WTO disputes with Japan*

The United States has used WTO procedures quite effectively with Japan, in two of the earliest cases that it took to the WTO:

- **Sound recordings.** In only a matter of months after holding consultations requested by the United States under WTO dispute settlement procedures, the Government of Japan amended its law to provide U.S. sound recordings with retroactive protection, as required by the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS). We did not even have to proceed to a panel in that case -- the mere potential of a panel provided a strong incentive for Japan to come into compliance. Non-U.S. sales of recorded music account for over \$15 billion annually in sales of products made in the United States. The recording industry employs tens of thousands of Americans. The industry estimated that U.S. right holders lost \$500 million annually before Japan amended its law.
- **Liquor taxes.** In response to complaints by the United States, the EU and Canada, a panel and the WTO Appellate Body found that Japan's excise taxes on distilled spirits discriminate *de facto* against imported spirits. When Japan proposed taking several years to change its tax laws, we also used WTO arbitration procedures quite effectively to

ensure that Japan must comply within 15 months of the rulings, or else be vulnerable to retaliation. Japan is our second-largest export market for spirits, and U.S. exports have been gaining market share. As a result of the case, Japan is already cutting taxes on brown spirits dramatically -- from \$8.50 to \$3.50 for a one-liter bottle of 40-degree whisky.

### *Other panel victories*

- **EU, Ireland, and UK - Reclassification of LAN equipment and multimedia personal computers.** In the Uruguay Round the United States negotiated a tariff concession on computer equipment, including personal computers and local area network (LAN) equipment. Later, the EU, the UK and Ireland started treating LAN equipment as if it were telecommunications equipment and applying higher duty rates. We brought a WTO case and the panel has agreed with us that the EU has violated its tariff obligations. This is an important case for our exports of high-tech products. In 1996 the U.S. exported \$7 billion in computer and computer networking equipment to the EU. U.S. LAN equipment has a commanding share in the EU marketplace, where U.S. firms are the technology leaders. The four leading U.S. exporters of LAN equipment made close to \$800 million in revenues from the EU market in 1996. The routers, hubs, LAN adapter cards and other hardware are made in the U.S.A. with American technology.
- **Argentina - measures affecting imports of footwear, textiles and apparel.** In 1996, the Argentine government hiked its duties on footwear, textile and apparel items, and it also applied an across-the-board 3 percent statistical tax. The WTO panel that considered our complaint agreed with us and found these measures violate Argentina's GATT obligations. This case too shows that we can effectively defend the market access we bargained for in the Uruguay Round. We export apparel and textiles such as carpets to Argentina.
- **India - patent protection.** In the Uruguay Round, India got ten years to phase in patent protection for drug and agricultural chemical inventions, but India agreed to establish a "mailbox" mechanism to preserve rights of foreign inventors in the interim. But India never carried out even this promise. A WTO dispute settlement panel agreed with us that this failure to act violates India's obligations. This case signals that, for developing countries, the phase-in period for their intellectual property rights implementation will not be a free ride. It will also safeguard our companies' rights in a major and growing market. This case is now on appeal.
- **EU - meat imports.** In January 1996 the United States invoked WTO dispute settlement procedures to challenge the EU's restrictions on imports of meat from animals treated with growth hormones, which deprived us of \$100 million a year in exports. In August 1997 a WTO dispute settlement panel found the EU's ban was unsupported by science, inconsistent with other EU measures, and therefore violated EU WTO obligations. This

case is also on appeal.

- **EU - banana imports.** The United States, Ecuador, Guatemala, Honduras and Mexico challenged the EU's regime controlling importation, sale and distribution of bananas. In May 1997 a WTO panel found the EU regime violates WTO rules on sixteen counts. In September 1997 the WTO Appellate Body upheld these conclusions and increased the plaintiffs' win. The panel and Appellate Body interpreted the General Agreement on Trade in Services (GATS) to protect U.S. companies involved in banana distribution.
- **Canada - magazine imports.** Canada targeted "split-run" magazines aimed at the Canadian market (including the Canadian edition of *Sports Illustrated*) with an import ban, a prohibitive excise tax, and discriminatory postal rates. In March 1997, a WTO panel agreed with us that the import ban and the tax violate Canada's GATT obligations. The Appellate Body then rejected Canada's appeal and agreed with us on the postal rates, giving the United States a complete victory. Canada and the United States have agreed that Canada will bring its measures into compliance by October 1998.

### *Successful settlements*

- **Korea - shelf-life requirements.** The United States and Korea consulted under WTO dispute procedures in June 1995 and reached a settlement concerning Korea's arbitrary, government-mandated shelf-life restrictions that blocked imports of many food products, including beef, pork, and other foods. Korea is the 4th largest market for U.S. agricultural exports and the 3rd largest for beef exports.
- **EU - grain imports.** In July 1995 the United States invoked WTO dispute procedures to enforce the EU's Uruguay Round market access commitments on grains. In November 1995 we reached a settlement, which ensures implementation of these commitments, reduces import charges on rice and provides for consultations on the EU's "reference price system." The United States used further dispute proceedings to keep the pressure on the EU until it published regulations implementing the agreement.
- **Hungary - agricultural export subsidies.** In March 1996 the United States, Argentina, Australia, Canada, New Zealand and Thailand invoked WTO dispute procedures to pursue Hungary's failure to comply with its Uruguay Round commitments on agricultural export subsidies. After a dispute settlement panel was established in February 1997, the concerned parties reached a settlement with Hungary in July 1997. Hungary has admitted its violation and is now subject to legally-binding staged compliance program.
- **Portugal - patent protection.** In April 1996 the United States asked for WTO consultations concerning Portugal's failure to provide the minimum 20 years of patent protection required by the WTO TRIPS agreement. Portugal recognized the problem and responded through legislation in 1996 that fully implements its TRIPS obligations.

Portugal estimated that a total of 7,000 patents would be affected by the change. This settlement was important to several U.S. pharmaceutical companies with existing patents in Portugal.

- **Turkey - box office tax.** The United States requested consultations in June 1996 under WTO procedures concerning Turkey's tax on box office receipts from foreign films. In the settlement reached between Turkey and the United States, Turkey acknowledges that the tax discrimination against foreign films violates WTO rules, and it pledges to equalize tax rates as soon as reasonably possible. The U.S. motion picture and television industry is a top U.S. exporter, with foreign markets accounting for more than \$10 billion a year in revenues.
  
- **Pakistan - patent protection.** The United States also used the WTO dispute settlement mechanism to enforce Pakistan's obligation under the WTO TRIPS Agreement to establish a "mailbox" mechanism for patent applications. After the United States asked for a dispute panel to be established, Pakistan issued an ordinance bringing its law into compliance. This case is another demonstration of the effectiveness of WTO dispute settlement in the intellectual property rights area.